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SUBJECT: DOT TEAM VISIT - PROGRAM IS ON COURSE

1. Summary. A DOT team led by Senior Policy Advisor Kevin Sample visited Nigeria April 13-26 to complete security and environmental assessments at the Lagos Port Complex and to discuss privatization of port services in Nigeria. The DOT officials met the Senate Committee on Marine Transport, officials of the Bureau of Private Enterprises (the GON privatization agency), and the Ministry of Transport. The team recommended that privatization of port services follow a phased approach, emphasizing the need to include labor in the planning and implementation process. The GON appears committed to port privatization, although much work remains before Nigeria can become a regional maritime hub. Problems include the current policy of 100% port inspections and the need to develop an adequate internal transportation infrastructure. End Summary.

Meeting With Senate Committee on Marine Transport

2. On April 17, the DOT team briefed the Senate Committee on Marine Transport on their mission in Nigeria, which was well received by the Committee. Committee members agreed port services needed to become more efficient and container handling costs reduced for Nigeria to become a maritime hub in West Africa, and that the best avenue to increase efficiency and lower costs would be through private sector participation.

3. DOT Senior Advisor Kevin Sample advised that port privatization should be a phased process, involving training and re-absorption of labor into the general workforce, with the eventual aim of reducing labor opposition to privatization. The Senators agreed with Sample that privatization should not be rushed, and requested USG assistance in the retraining of redundant port workers. The Committee emphasized that port privatization is politically sensitive due to the fear that workers would be laid-off and unemployment would rise. Sample advised that maritime workers should be included in the privatization decision process in order to harmonize the views of all stakeholders and minimize problems. He also believed the GON should emphasize that only selected services at the ports should be privatized, not the entire port. The Senators thought that "private sector participation" instead of "privatization" was a more apt and palatable term. Sample said DOT might be able to assist by organizing a tour of the Mexican ports in collaboration with the World Bank, for the Nigerian officials as an example of a successful port privatization.

4. Sample also advocated creation of a mechanism to reduce corruption in the maritime sector and to ensure that maritime sector funding is applied judiciously.

Meeting With Minister of Transport

5. In the meeting with the Minister of Transport Chief Ojo Maduekwe and other top Ministry officials, the fight against corruption was reiterated. The Minister thanked the U.S government for assisting in training officials of his Ministry on anti-corruption, and asked for more of such assistance.

6. The Minister explained his plans to visit Washington June 3-11 and asked for DOT assistance in scheduling appointments with USG officials. Sample agreed to put together a program, including a visit to some U.S. ports and a meeting with Secretary Mineta. The Minister praised the efforts of the

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DOT in helping Nigeria's transportation sector, and asked for continued cooperation between the GON and DOT.

Meeting With Bureau of Public Enterprises (BPE)

17. The DOT team also met officials of BPE, the GON privatization agency. Sample explained DOT's current mission in Nigeria and offered assistance in privatizing port services. The port privatization team leader Hassan Usman, stressed that privatization of port services is on course using the "Landlord Port Model." Usman said BPE was hosting workshops to sensitize state governments, labor and civil society on port privatization, and reiterated BPE's aim to privatize the port services of one of Nigeria's eight ports before the end of the year. Sample advised that labor should be fully involved in the privatization process to ensure a smooth transition. Usman agreed, commenting that this was the goal of the workshops as was evident from the communiqué adopted by stakeholders at one of the workshop sessions. Sample also advised that port privatization should not be rushed, but rather be a phased process.

18. The DOT technical team offered to assist the BPE in training officials, and resolved to work closely with the BPE to ensure a successful privatization of port services. Usman welcomed DOT's offer of assistance.

Comment

19. The GON's resolve to privatize selected port services was clearly evident throughout the visit to Abuja. However, at the Lagos Port Complex the issue of privatization is so sensitive that Nigerian Port Authority (NPA) managers refused to discuss the topic in the presence of NPA junior staff. In addition, the GON must surmount a number of other hurdles if port services are to become more efficient and less corrupt. Nigerian ports also have often been sites of violent labor protests-- usually involving privately hired dock workers. Several weeks before the DOT team's visit one such protest sparked a disturbance at the Lagos Port, and reportedly authorities are yet to put in place an effective system to handle these volatile situations.

110. The issue of immediate concern to port managers is the June 2001 policy of 100% inspection. This policy has increased average clearance time from 20 to over 30 days, and NPA officials claim 100% inspection "will only lead to disaster." They point to increased stress on equipment caused by repetitive repositioning of containers, and also allege 100% inspection fuels corruption. NPA officials explained that the more hands that come in contact with a container the more opportunities for pilferage and bribery (the more difficult the clearance process the more "dash" required to smooth the way).

111. Port officials are searching for alleviation to 100% inspection, but for now the GON appears intent on maintaining this controversial policy. Meanwhile, the Lagos container terminal is reportedly home to an estimated 1,000 abandoned containers left over from the initial days of 100% inspection. No one wants to step forward to claim spoiled foodstuffs, or in certain cases -- illicit or undervalued goods.

112. Many observers opine that if Nigeria is to become a regional maritime hub, port services have to be delivered in a more efficient way, corruption must be eradicated at the ports, and labor unrest at the ports must be curtailed.

ANDREWS